

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

770 L STREET, SUITE 1000
SACRAMENTO, CA 95814
(916) 324-2726
(916) 324-5597 FAX
<http://www.cmac.ca.gov>



March 10, 2006

Re: Distressed Hospital Fund Negotiations

Dear _____:

The Legislature enacted and the Governor signed the Medi-Cal Hospital/Uninsured Care Demonstration Project Act (Chapter 560, Statutes of 2005; Senate Bill 1100; Welfare and Institutions Code, Article 5.2, Section 14166, et. Seq.). This Act modifies the Medi-Cal reimbursement methods for California's hospitals, maximizing the use of federal funds consistent with federal Medicaid law and stabilizing the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients.

The Act also established a new program and a new fund, the Distressed Hospital Fund ("Fund"), with relatively limited resources for this new program. This Fund is described in the Act under Welfare and Institutions Code, Section 14166.23, and provides that the California Medical Assistance Commission ("Commission") may negotiate with Selective Provider Contracting Program (SPCP) hospitals for distributions from the Fund. Due to the small size of this Fund, the Commission may find it necessary to focus its effort on a small number of hospitals in order for the available funds to have an impact. This focus is consistent with many of the comments received from hospitals and association representatives during the Commission meeting on January 12, 2006.

This letter is to inform you that the Commission is prepared to commence negotiations on Fund distributions for State fiscal year 2005-06.

As an SPCP hospital, your hospital is invited to submit a proposal justifying your request for a distribution from the Fund this fiscal year. Welfare and Institutions Code, Section 14166.23 (a) states that in order for a hospital to qualify for distributions from the Fund, the hospital must, "as determined by the Commission in its discretion" meet **all three** of the following criteria:

- Serve a "substantial volume" of Medi-Cal patients, measured either as a percentage of the hospital's overall patient volume, or by the total volume of Medi-Cal services provided by the hospital;
- Be a "critical component" of the Medi-Cal program's health care delivery system, such that the system would be significantly disrupted if the hospital reduced Medi-Cal services or no longer participated in the program;
- Be facing a "significant financial hardship" that may impair its ability to continue its range of services for the program.

Page 2
March 10, 2006

SPCP hospitals that feel they meet all three of the above criteria are invited to submit proposals that not only clearly demonstrate how the hospital meets the above criteria, but that also clearly state why the Commission should consider your proposal over proposals submitted by other qualifying SPCP hospitals. However, please be advised that submitting a proposal and entering into preliminary negotiations **does not** ensure that your hospital will receive a distribution from the Fund.

Proposals should be no longer than five (5) pages in length, and must be received by the Commission by **5:00 PM on March 27, 2006**. If you have any questions regarding these matters, please do not hesitate to call _____, at (916) 324-2726.

Sincerely,

Keith Berger
Executive Director

KB/kf
Enclosure